

## FAIR TRADE IN BRAZIL: CURRENT STATUS, CONSTRAINTS AND OPPORTUNITIES

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### Abstract

Fair trade has expanded worldwide as a formal certification, while in developing countries like Brazil, there is still a lack of information about this concept in a context of the growth of social businesses. To answer the research question "How is fair trade currently organized in Brazil and what are the constraints and opportunities involved?", we analyzed a database of 277 Brazilian organizations linked to fair trade, followed by in-depth interviews with Brazilian experts. Results show that fair trade has grown between 2005 and 2012 due to the support of institutions and public agencies, even if organizations still face financial difficulties. As it has grown as a public policy, its development has strengthened the concept and the groups involved, providing a good perspective for the internal market. Fair trade has a social role and a political nature, what might attract the attention of policy makers regarding social programs and the support of fair trade organizations.

**Keywords:** Fair trade. Social economy. Emerging economies. Solidarity economy. Brazilian certification.

## COMÉRCIO JUSTO NO BRASIL: STATUS ATUAL, GARGALOS E OPORTUNIDADES

### Resumo

Ainda são escassas as informações sobre comércio justo no Brasil, em um contexto de crescimento dos negócios sociais e da certificação internacional. Para responder à pergunta de pesquisa "Como é organizado o comércio justo no Brasil e quais são os gargalos e oportunidades envolvidas?", analisamos uma base de dados de 277 organizações brasileiras ligadas ao comércio justo e realizamos entrevistas em profundidade com especialistas. Os resultados mostram que o comércio justo cresceu entre 2005 e 2012 em virtude do apoio de instituições e agências públicas, mesmo que as organizações ainda enfrentem dificuldades financeiras. Uma vez que o comércio justo cresceu como uma política pública, seu desenvolvimento reforçou o conceito e os grupos envolvidos, proporcionando uma boa perspectiva para o mercado interno. O comércio justo tem um papel social e natureza política, o que pode chamar a atenção dos formuladores de políticas sobre programas sociais e o apoio de organizações de comércio justo.

**Palavras-chave:** Comércio justo. Economia social. Economias emergentes. Economia solidária. Certificação brasileira.

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## Introduction

**S**ocially oriented businesses aim to develop alternative ways to solve social and economic problems while new structures of production and marketing based on transparency and fairness are established (ALVES et al., 2016). The Fair Trade concept emerges from this concept.

Fair trade businesses are profit oriented, just as for traditional trade businesses, although there is the perspective of fair distribution of profits throughout the production chain, which includes taking into account both producer social conditions and environmental preservation in the perspective of product valuation (FRETTEL; SIMONCELLI-BOURQUE, 2003). Hence, fair trade is a concept that seeks to reinforce producer organization initiatives such as cooperatives, producer associations, and networks of small producers. At the same time, fair trade seeks to provide education to final consumers by informing them about product origin and production conditions (JAFFEE; KLOPPENBURG; MONROY, 2004).

Fair trade has been expanded worldwide as a formal certification that ensures final consumers about the transparency along the value chain both in relation to production and to the increased amount of available information for consumers. Currently, fair trade production initiatives exist in 74 countries, with 1,210 organizations benefiting the lives of approximately 1.5 million farmers, workers and their families (FAIRTRADE FOUNDATION, 2015).

The expansion of fair trade in Brazil is related to the willingness to strengthen the solidarity economy understood as an alternative concept to capitalism, by focusing on the centrality of business principles such as solidarity, cooperation and equality (SINGER, 2002; GAIGER, 2011). Governmental initiatives organized by Secretary of Solidarity Economy and Fair Trade, hosted by the Brazilian Ministry of Labor and Employment (SENAES/MTE, 2012) have a direct influence. The Brazilian System of Fair and Solidarity Trade (BSFST) was formally created in 2010 to promote development by encouraging social business throughout the country (MENDONÇA, 2011).

By developing this system (BSFST), Brazilian policymakers show that fair trade in Brazil means more than a specific kind of commercialization, and includes solidarity and social system values (MENDONÇA, 2011). From a different perspective, while a solidarity economy is a relatively popular approach in Brazil, its commercialization is a big challenge that has led public policies to include fair (and solidarity) trade as a core value in public policies to ensure that producers will flourish (MENDONÇA, 2011).

Brazil suffered political changes in 2016, creating a delicate scenario for this movement since little is known in terms of current government social development and support alternatives for work and wealth creation. At the same time, civil society involved in the development of BSFST is optimistic in terms of public and private institutions representation in the development of Brazilian fair (and solidarity) trade (GOMES; MENDONÇA, 2016). In this context, there is the perception of an increased interest in understanding how fair trade organizations have arranged their business. At first analysis, we can see that although organizations follow fair trade principles, some are not formalized regarding certification processes (a very important issue in the Fair Trade movement).

Thus, considering the expansion of fair trade at the international level, we can observe that there is still a lack of information regarding this kind of organization in developing countries like Brazil (SILVA-FILHO; CANTALICE, 2011; MOURA; COMINI; TEODÓSIO, 2015). For this reason, the research question that motivates this study is: How is fair trade currently organized in Brazil and what are the constraints and opportunities involved? The study aims to identify the characteristics of fair trade organizations and investigate constraints and opportunities for these organizations in an emerging country.

To achieve our objective, we have analyzed data from a survey conducted by the Brazilian National Government which mapped all existing social businesses in Brazil, including fair trade organizations. In addition, fair trade organization leaders,

experts, and representatives of international organizations engaged in fair trade in the country were also interviewed.

This paper is divided into six sections. After the introduction, we present a literature review of Fair Trade, its concept and history. In the third section we describe the method and in the fourth and fifth, the results and discussion. The final remarks are presented in the sixth section.

## Fair trade: concept and background

According to França Filho (2001), a solidarity economy congregates two historically separated notions: initiative and solidarity. For this reason, there is a different understanding for economic activities where solidarity and sharing play a central role in the meaning of development. Thus, solidarity economy initiatives combine their economic activities with the educational and cultural nature of actions, enhancing the sense of community and commitment to the social collectivity in which they operate (GAIGER, 2009).

Fair trade is part of the solidarity economy concept, understood as an alternative to conventional trade, regarding the needs of people involved, contributing to sustainable development by offering better trading conditions and protecting workers' rights (FRETEL; SIMONCELLI-BOURQUE, 2003; JAFFEE; KLOPPENBURG; MONROY, 2004).

Fair trade offers farmers more advantageous trading conditions and seeks to provide these farmers the opportunity to enhance their lives and to continue generating income in rural areas. It also offers customers access to information and the opportunity to be part of an initiative that seeks to alleviate poverty through everyday purchases and consumption of more sustainable products (FAIRTRADE INTERNATIONAL, 2011).

Fair trade is typically understood as an alternative market system that aims to rectify historically inequitable terms of trade between the geopolitical North and South and foster more direct producer/consumer linkages (JAFFEE; KLOPPENBURG; MONROY, 2004). Origins of fair trade organizations date back to the 1940s and 1950s, when Christian missions established Non-Governmental Organizations (NGOs) in developed countries to sell handicrafts produced in poor countries of the Southern Hemisphere. In the 1950s and 1960s, commercialization was also done by mail and in solidarity groups through Alternative Trade Organizations (ATOs) (DORAN; NATALE, 2011; FRIDELL, 2004).

Although a consistent growth of fair trade organizations occurred in the 1970s and 1980s, low sales volume offered little aid to small farmers and artisans. Network growth was also hampered by poor access to consumers, who still perceived fair trade products as low quality, and limited to volunteer workers for sales and the inappropriate use of marketing tools. In response to these limitations, fair trade organizations decided that their inclusion in traditional markets was required. Therefore, a strategic reorientation was held in 1988, and fair trade labeling was launched, allowing fair trade products to be marketed along with traditional retail channels (FRIDELL, 2004).

In this first initiative, the idea was to certify and purchase products from small producers at relatively higher prices than those offered by the market. The producers' counterpart would be to preserve the environment and to establish the criteria of solidarity and democracy in their relationships (FRETEL; SIMONCELLI-BOURQUE, 2003).

The process of certification enhanced the perception of quality in the market as well as the accuracy of information provided to consumers, including about the social aspects involved in production. Through certification, fair trade has grown worldwide (DE PELSMACKER; JANSSENS, 2007; FRIDELL, 2004; REED, 2009; RENARD, 2005).

Business growth was linked to the establishment of fair trade labeling as well as professionalization of fair trade shops and the entrance of these products into the food industry (GENDRON; BISAILLON; RANCE, 2009; LOW; DAVENPORT, 2005; RENARD, 2005). However, market growth has also led to debates regarding Fair Trade's fairness

(INGENBLEEK; REINDERS, 2013) and if growth could also bring negative consequences to maintenance of the status as an authentic alternative to free trade (STARICCO; PONTE, 2015). This inquiry might be related to another critical perspective, saying that social change actors can start to act similarly to what they oppose, which means in the fair trade case that mainstreaming can turn it into a new way of capitalist business (CHILD, 2015). Nevertheless, fair trade has consolidated in some markets as a benchmark for companies to develop and adopt standard fair rules (INGENBLEEK; REINDERS, 2013).

### Fair trade in Brazil

Despite a worldwide evolution in fair trade, an organized movement for fair trade in Brazil did not begin until 2001. According to Brazilian Service of Support for Micro and Small Enterprises [SEBRAE, in Portuguese] (2007), at that time several members of NGOs, solidarity economy movements, family farms, business, government and service providers began to discuss issues related to fair trade. Since then, fair trade in Brazil has not been limited to exports of goods to developed countries, but the actors have also developed new forms of internal trade.

Labels and certifications are still little recognized by Brazilian consumers. This stems from the lack of regulation in recent decades that has allowed the emergence and dissemination of many labels. According to Vialli (2010), there are about 600 ecolabels in Brazil that advertise sustainable production, many of them simply self-declared by their own companies without external accreditation. Within this universe of labels, fair trade labeling is among the least known (HAMZA; DALMARCO, 2012). Even among those Brazilian consumers who know the meaning of labels and could easily identify them on the products, most of them did not notice it when making purchases (HAMZA; DALMARCO, 2012).

The international fair trade trajectory has happened in parallel to demands by social movements in Brazil that aim to combat the social inequalities and instability in farming and labor relations. It spawned what is called today "Fair and Solidarity Trade", which is defined as an alternative commercial flow, based on compliance with criteria of justice and solidarity in trade relations and recognition of the autonomy of Solidarity Economy Enterprises (GOMES; MENDONÇA, 2016; ZERBINI; PATEO; SÍGOLO, 2010).

In 2004, the Brazilian Service of Support for Micro and Small Enterprises (SEBRAE) started investing in fair trade in Brazil, focusing on micro and small businesses. In 2005, a project of fair and solidarity trade was initiated by partnership with specialized consultants and the support of NGOs that aimed to enhance small producer access to this market (SEBRAE, 2007).

In 2006 a discussion group for fair trade with representatives of governmental departments linked to the Agriculture Ministry, Family Agriculture and Agrarian Development Ministry, Solidarity Economy Secretary and other departments was created. The constitution process for the Brazilian System of Fair and Solidarity Trade (BSFST) started through this discussion group.

In 2014, worldwide sales of certified fair trade products increased to 6.24 billion dollars, representing an increase of 10% over 2013 (FAIRTRADE INTERNATIONAL, 2015). This growth is attributed, among other factors, to the support from big companies, such as Starbucks, which buys fair-trade certified coffee, and Cadbury and Nestle chocolates.

According to Zerbin, Pateo and Sígolo (2010), with the signing of Decree 7358 (BRASIL, 2010), the government started investing in initiatives for enhancing economic inclusion, promoting democracy and generating equitable development. This decree encourages financial investments in projects that improve organizational capacity, infrastructure, training, promotion of market access, expansion of the program of sustainable public procurement and pricing rules (ZERBINI; PATEO; SÍGOLO, 2010).

Therefore, the development of fair trade in Brazil has its peculiarities, such as its development as a public policy, but always followed by joint actions from civil society. This made it a stronger movement, able to survive to changes in the political scenario. Considering its peculiar characteristics, and the willingness to develop an internal market instead of just selling to developed countries, our analysis includes investigation of its main characteristics, current status, motivations, constraints that organizations face, as well as opportunities to expand this specific market.

## Method

To achieve the main goal of this study, we conducted a two-step empirical research. In the first phase, we adopt a quantitative orientation research and present an analysis performed on a database collected by the Brazilian Ministry of Labor and Employment (MLE) from 2009 to 2013 to map the solidarity-based economy in Brazil, which includes fair trade organizations. In the second phase after this preliminary analysis, we conducted a qualitative research by visiting fair trade institutions and applying interviews to Brazilians experts in order to better comprehend previously collected quantitative data and to investigate their perceptions of the fair trade market in Brazil. Our intention was to highlight the way that these organizations are organized and the opportunities and constraints they face in Brazil. The complementarity between quantitative and qualitative research allow us to have a panoramic view about fair trade in Brazil and to also highlight some specificities that emerged from the in-depth interviews.

### *First step: a national survey on solidarity-based economy and fair trade*

The quantitative step of the research was based on a survey produced by the Brazilian Ministry of Labor and Employment (MLE). The survey was conducted nationwide between the years 2010 and 2012. The main objective was to map all Solidarity Economy Enterprises (SEE) existing in Brazil. The survey considered those characterized as collective organizations (associations, cooperatives, production groups, exchange clubs) as SEE, whose members collectively manage the activities and the allocation of the results, and that perform economic activities of production of goods, commercialization and solidarity consumption (KUYVEN; KAPPES, 2013).

The contacts at SEEs were obtained from regional government databases and also from previous surveys carried out by the Ministry of Labor and Employment (MLE). This procedure aimed to identify the greatest number of projects and ensure that the results were representative of the SEEs operating in Brazil. Data collection was performed by researchers through on-site visits to interview enterprise representatives.

The researchers found 19,708 SEEs whose representatives were asked about: a) general enterprise characteristics; b) members' characteristics; c) economic activities performed; d) the labor situation of members and non-members; e) investments, access to financial resources and support; and f) enterprise management.

Among the 19,708 SEE mapped in the research, we specifically selected the organizations that identified themselves as making part of fair trade networks (n=277). We analyzed the characteristics of these 277 organizations in terms of activities performed, starting year, support received, commercialization market, origin of resources, reasons to create the organization, main achievements, and opportunities and challenges faced by the organization. Data analysis was performed by using descriptive statistics.

The first phase gave us a panoramic view about fair trade organizations in Brazil and helped us to prepare the analysis of the second phase of our research, which aimed at in-depth qualitative analysis of the data collected.

## Second step: in-depth interviews with experts on fair trade in Brazil

In this phase, we visited fair trade organizations in Brazil and conducted in-depth interviews based on the literature review. The interviews were conducted by the authors, recorded and transcribed for analysis. We also used secondary data, mainly reports and publications of fair trade organizations, to complement data collection.

Since our aim was to further understand the current scenario, as well as to delineate motivations and perspective for the internal market, we searched for experts on the subject, as well as fair trade practitioners in terms of product commercialization. Initially, we interviewed an academic expert on fair trade (PhD in Agricultural and Food Economics by University of Reading, UK), a consultant and designer in social projects and the project coordinator of *Faces do Brasil*. Additionally, we also included representatives of organizations that base their operations on fair trade principles, such as *Girasol Cooperative* in Porto Alegre, the *Projeto Terra* in São Paulo and two certified organizations, *Justa Trama* and *Tênis*.

Additionally, to update information on the development of Brazilian certification (BSFST), and the overall concept, we undertook a key interview with the main coordinator of *Faces do Brasil* in 2016.

Visits and interviews lasted from 25 minutes to 2 hours. Table 1 presents the respondent's profile, his/her function and a brief description of their respective organization.

**Table 1 – Respondents' profile.**

Organization and Location	Function	Description of the respondent and/or organization
Unisinos (São Leopoldo)	Researcher and professor	The interviewed is a PhD in Agricultural and Food Economics and currently a researcher and professor at Unisinos. Unisinos is a large university in Southern Brazil.
Parceria Social/Brasil Social Chic (Rio de Janeiro)	Consultant and Designer	Parceria Social is a sustainability consultancy, and Brasil Social Chic is a distributor of fair trade products.
Faces do Brasil (São Paulo)	Project coordinator	Project coordinator of Faces do Brasil with a specialization in solidarity economy and Integration in Latin America.
Faces do Brasil (Rio de Janeiro)	Founder and main coordinator	Main coordinator and founder of Faces do Brasil, sociologist and specialist in public policy.
GiraSol Cooperative (Porto Alegre)	Two partners of the Girasol Cooperative	The GiraSol Cooperative consists of a group of professionals from different areas from the region of Porto Alegre, in Southern Brazil. Since 2006, they have been working for the promotion of fair and solidarity trade and conscientious consumption. GiraSol nurtures the development of rural and urban enterprises, especially small agro-ecological cooperatives, agro-industries and other groups.
Justa Trama	President of Justa Trama	Justa Trama operates on several fronts and in discussion groups about fair trade in Brazil and abroad. Justa Trama has fair trade certification and produces clothes with agro-ecological cotton.

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<b>Organization and Location</b>	<b>Function</b>	<b>Description of the respondent and/or organization</b>
Projeto Terra (São Paulo)	Manager of Projeto Terra	The Projeto Terra Institute is a nonprofit social organization that began in 2002 to create opportunities for market access to artisan products originating from Brazilian projects of income generation and social inclusion and/or for products with ecological content.
Tênis (Campo Bom)	Manager of Tênis	The interviewed is a sociologist and designer, who is the Tênis partner in Brazil. Tênis is a French organization that manages the chain that produces shoes and handbags exclusively using fair trade principles and agro-ecological cotton, natural rubber and vegetable leather imported from Brazil as raw materials.
Projeto Vila Tênis (Novo Hamburgo)		

Source: The authors.

Once we had data from all these interviews, based on a deductive orientation (MAYRING, 2000) we applied the content analysis (BARDIN, 2004). The content analysis allowed us to analyze and make specific inferences about fair trade development in Brazil, considering opportunities and constraints.

The use of multiple data sources allowed for triangulation of data, contributing to research validity and reliability (MAYRING, 2000). Thus, after completing the interviews and collecting secondary data, we described, analyzed and cross-referenced the information to reach conclusions. The next section presents the results of this research.

## Results – fair trade in Brazil

In this section, we present the main findings. First, we present the characteristics of Brazilian fair trade organizations, based on the national survey developed by the Brazilian Ministry of Labor and Employment (MLE). Next, we describe fair trade's current status in Brazil, followed by constraints and opportunities that were identified and analyzed in the qualitative step of the research.

### Characteristics of organizations linked to fair trade networks in Brazil

Results show that there is still a high level of informality in organizations related to fair trade networks in Brazil. Among the 277 organizations, more than 44% are not formally registered according to Brazilian law. Most of these organizations produce and commercialize (59.2%), or exclusively commercialize (24.9%) fair trade products.

Another characteristic is related to the different kinds of activities these organizations perform. Within the 111 different activities listed in the survey, we can stress agro-industrial production (27.5% of the organizations), handicrafts and souvenirs (25%), agro-industrial trade (9.1%), manufacturing and sale of apparel, clothing and garment (5.1%), and organizations for collective use of infrastructure, land and equipment (4.0%). The broad range of different activities performed by the organizations was unexpected considering that fair trade is still recent in Brazil when compared to international fair trade (MACHADO; PAULILLO; LAMBERT, 2008).

Most organizations were created since 2000 (72%), more specifically, 43.2% emerged since 2005, when Brazilian institutions and agencies started to support the creation of fair trade projects (SEBRAE, 2007; MENDONÇA, 2011). About 81% of surveyed organizations received some support or training along their development, in a wide range of areas such as managerial assistance, managerial, social and political

education, and marketing planning. Almost 35% reported support from micro and small-business support services (e.g. SEBRAE) while 35.6% received support from NGOs (35.6%), 29.8% from municipalities, 22.7% from universities and 21.3% from state governments.

The increasing number of fair trade organizations in Brazil can also be explained by the fact that since 2004 the Federal Government has intensified social programs to improve social conditions and income generation in disadvantaged classes of workers. Many farmers and workers could organize their production independently, looking for new and more profitable economic activities. This relation can be identified since 41.5% of the organizations are predominantly composed by people that are beneficiaries of these Conditional Cash Transfers (CCT).

Another contextual fact is that Brazil experienced an increased purchasing power at the base of pyramid. The expansion of social programs to reduce hunger, inequality and poverty allowed millions of people to leave extreme poverty and to enter the consumer market. Nowadays, many households can experience consumption of goods that go beyond the satisfaction of basic needs (ARNOLD; JALLES, 2014). The results of the governmental initiatives can be seen since there was a significant growth in household per capita income since 2003, with 7% a year from 2003 to 2009, in comparison to 1.3% from 1995 to 2003 (SOUZA, 2012).

Organizations are predominantly small-sized: 37.4% have up to 10 members and 53.8% have up to 20 members. Only 11.4% have more than 100 members, but within this group, organizations vary from hundreds to thousands of members (the largest has 5,500 members). According to respondents, 70.7% of organizations generate enough income to remunerate members. However, it is noteworthy that almost a third of them (29.3%) are unable to pay members.

### **Motivations for establishing fair trade networks and origin of resources**

The four reasons most cited by respondents for establishing their organizations are related to economic issues (see Table 2). Economic reasons come from the possibility of creating supplementary sources of incomes (57.4%), obtaining higher gains (44.4%), search for alternatives to unemployment (44.0%) and the development of a collective activity where all workers are owners (47.3%). Social reasons for creating the organizations were also cited by the respondents. The most reported reasons were the development of community capabilities (39.7%), social, philanthropic or religious motivations (34.7%) and the production of organic or green products (21.3%).

**Table 2 – Main motivations for establishing fair trade organizations.**

<b>Motivation</b>	<b>Nr. of citations* (N=277)</b>	<b>%</b>
Creation of a supplementary source of income	159	57.4%
Development of a collective activity in which all workers are owners	131	47.3%
Obtaining greater gains in an cooperative organization	123	44.4%
Alternative to unemployment	122	44.0%
Development of community capabilities	110	39.7%
Social, philanthropic or religious motivation	96	34.7%
Organizational alternative to develop qualification	81	29.2%
Enabling professional practice in a specific economic activity	69	24.9%
Production or commercialization of organic or ecological products	59	21.3%
Strengthening of an ethnic group	48	17.3%

\*Multiple answers were allowed  
Source: SIES (2013).

In addition, respondents were also asked to inform about the origin of resources that supported project launch. A large percentage indicated the use of members' own resources (67.9%). Only 27.8% indicated the use of public funds and 23.8% reported the use of donations from international organizations or NGOs. It reveals that most organizations were created by member investments. Public funds and NGOs played a secondary role in financially supporting the creation of these organizations.

### Commercialization market

Regarding market scope, most of the investigated organizations operate at the local (71.6%) or municipal level (76.4%). Only a small number commercialize products at the national (19.7%) or international level (10.7%) (see Table 3).

**Table 3 – Commercialization market.**

Commercialization market	Nr. of citations* (N=233)**	%
Local or community level	167	71.7%
Municipal level	178	76.4%
Regional level	96	41.2%
State level	90	38.6%
National level	46	19.7%
International level	25	10.7%

\*Multiple answers were allowed

\*\* The question was answered only by organizations that commercialize products.

Source: SIES (2013).

Most organizations commercialize their products directly to consumers (91.8%). However, 30.9% reported that they also commercialize products to retailers or wholesalers; 24.9% commercialize to government agencies and 17.6% commercialize to private companies. Another 19.3% sell to other social businesses and 13.3% carry out product exchanges. This result shows that due to the limitations of the exclusive fair trade markets and the special certifications required to commercialize at the international level, many organizations connect with alternative buyers (e.g. private firms, government agencies), to sell their products.

An important characteristic of fair trade is that consumers agree to pay higher prices based on producers' dedication to preserving the environment and ensuring solidarity and democracy in their relationships (FRETTEL; SIMONCELLI-BOURQUE, 2003). The organizations linked to fair trade networks in Brazil confirmed this characteristic is valued by consumers since 56.3% of them expressed environmental concern in the production of goods. Furthermore, 62.6% reported to be part of at least one social movement linked to sustainability, ecology, human rights, women empowerment or racial movements.

### Main constraints, achievements and challenges faced by the organizations

One objective of the study was to analyze what were the difficulties that Brazilian organizations linked to fair trade networks faced to produce and sell their products. Among the surveyed organizations, 68.7% reported facing difficulties surviving in the market. Several problems were mentioned, such as the lack of working capital (cited by 55% of the organizations), inadequate physical infrastructure for marketing (46.9%) and difficulty in shipping (44.4%). The previously reported lack of legal registration is a problem for 24.4% of the organizations. Without formal contracts, they are not able to provide invoices and to operate in certain markets. Table 4 shows the percentage of organizations that indicated each of the difficulties listed.

**Table 4 – Main constraints faced by the organizations.**

Constraints	Nr. of citations* (N=160)**	%
Lack of working capital	88	55.0%
Inadequate physical infrastructure for marketing	75	46.9%
Difficulty in shipping or high transportation costs	71	44.4%
Insufficient number of clients	59	36.9%
Competitors and middlemen	56	35.0%
Difficulty in maintaining supply regularity	54	33.8%
Precarious roads for shipping products	42	26.3%
Lack of legal registration	39	24.4%
Customers require time to pay	41	25.6%
Insufficient number of members to commercialize the products	35	21.9%

\*Multiple answers were allowed

\*\*The question was answered only by organizations that reported constraints operating in the market.  
Source: SIES (2013).

The last set of questions aimed to identify the main achievements and challenges faced by Brazilian organizations linked to fair trade networks. Group integration and successful collective action were highlighted as an achievement by 75.5% of respondents, followed by the generation of income or greater gains for members (70.4%). The development of self-management capabilities and the exercise of democracy was also a significant achievement according to 60.6% of the organizations. Besides this, organizations reported the social commitment of their members (54.9%) and benefits for their local communities (37.9%) as relevant attainments.

Despite these achievements, several challenges were cited by a high percentage of organizations (Table 5). Results show that a main challenge for most part of the organizations (74.7%) is reaching economic viability and generating adequate income for members. A slightly smaller percentage indicated the challenge of keeping the group together and working collectively (65.3%). Curiously, an even higher percentage of respondents indicated this item as an achievement. We infer that although many respondents noted group unity as an achievement, a union's continuity over time is a challenging and very complex task. The same reasoning refers to the ability to generate adequate income for shareholders, which was cited as a challenge by 74.4% of respondents, although previously it had also been indicated as an achievement by 70.4% of them (see Table 5).

**Table 5 – Main challenges faced by Brazilian organizations linked to fair trade networks.**

Challenges	Nr. of citations* (N=277)	%
Reach economic viability	207	74.7%
Generate adequate income for members	206	74.4%
Keep the group together and work collectively	181	65.3%
Promote cooperation with other social businesses	172	62.1%
Promote members' participation and organization's self-management	145	52.3%
Achieve members' politicization	120	43.3%
Ensure social protection for members (assistance, health care)	118	42.6%
Achieve greater environmental awareness	117	42.2%

\*Multiple answers were allowed

Source: SIES (2013).

## Fair trade in Brazil: perceptions from Brazilian experts

After presenting data from the survey applied to organizations involved in fair trade networks, we present results from interviews with experts who are working on different fronts to promote the development of fair trade in Brazil. For this, we present a perspective of these respondents about the current situation of fair trade in Brazil. Finally, we also discuss the main constraints and opportunities for fair trade in the country.

### Current status of fair trade

A major constraint for small organizations, communities and families working with artisan products is having access to markets. One of the key contributions of the organizations working to promote fair trade is precisely to enable small producer access to consumer market. Several consulting companies also facilitate producer access to markets. They are usually hired by companies that want to invest in fair trade and by other supportive organizations, such as the Brazilian Service of Support for Micro and Small Enterprises (SEBRAE). An example is *Parceria Social* (Social Partnership), which analyzes day-to-day processes for producers to act according to fair trade ideology.

In comparison with international fair trade, the main difference and specificity of the Brazilian case is its development based in public policies. In addition to the struggle to get state recognition for practices, fair trade organizations are responsible for applying resources in a systematic manner through projects and social programs (Coordinator of *Faces do Brasil*). In this sense, organizations such as *Faces do Brasil* develop strategies to expand fair trade more broadly, providing for more protagonism in trade relations, to increase the value of their products and services for households or commercial consumers.

Although there is little concern regarding certification in Brazil, it is expected that the Brazilian System of Fair and Solidarity Trade (BSFST) will contribute to its consolidation. BSFST is an important tool to overcome barriers faced by producers. The project coordinator of *Faces do Brasil* ratifies the result from the survey's descriptive phase (section 4.1), by stating that the main reason for producers to pursue fair trade certification is to increase their earnings, although they soon notice that the certification also transmits credibility in the production process.

So, initially, the motivation for producers to obtain certification is commercial. With the encouragement of *Faces do Brasil* and other organizations, producers realize the importance of the fair trade approach, which also focuses on social inclusion and environmental benefits. Over the long haul, producers are committed to not only follow principles in order to gain certification, but also to transmit the message and expand fair trade formally.

According to the consultant from *Parceria Social* and *Brasil Social Chic*, consumers often acquire products as an act of philanthropy. The manager of *Tênis* believes that motivations of fair trade consumers in Brazil are more social than ecological. However, it is believed that Brazil is under a process of development of consciousness about these products, since it is an incipient market in which fair trade started commercialization during the past 10 years, whereas in Europe (considered a mature market), it has been practiced for more than 60 years. In turn, the university researcher says that Brazilians associate the concept of fair trade with purchases made locally, as a way to strengthen local economies and have more direct contact with the producer. In this type of purchase, consumers pay the producer directly.

Respondents stress that there is a challenge in creation of a Brazilian consumer culture that fosters a change in the labeling process and in consumers who ask more information about the products. The project coordinator of *Faces do Brasil* believes that with support from the environmental movement, it is possible to create this culture and demonstrate the impacts of the consumption of fair trade products, comparing them with those of traditional commerce.

With respect to enterprise characteristics, there are varying profiles of gender, age and social reality according to historical foundations and even the area in which these groups are established. The consultant from the *Parceria Social* and *Brasil Social Chic* confirms what the survey described (section 4.1.1, Table 2) regarding motivations for starting a fair trade organization: "Fair trade is an opportunity for people, through their work, to live worthwhile in the correct way" (Consultant of *Parceria Social* and *Brasil Social Chic*).

Another issue involving fair trade in Brazil is competition with the traditional supply chain because a product may lose sales when it is analyzed based only on price. The fair price considers much more than raw materials, instead it includes the entire work time and efforts that were spent to make the product. Accordingly, the consultant for *Parceria Social* and *Brasil Social Chic* reports that producers often do not value their work because of problems with low self-esteem within the groups. Thus, the work of the consultancy is not only to embed the concepts of self-management and transparency. Further work is also necessary. The consultant for *Parceria Social* and *Brasil Social Chic* reports that a recent partnership began with a psychologist to try to reconcile the two objectives, fair trade and improved self-esteem, of those involved.

Transparency in the remuneration process is a key issue for fair trade. As reported by project coordinator of *Faces do Brasil*, all decisions are taken by the group and everything is decided cooperatively. Similarly, the distribution of profits is made annually through the financial surplus. The group decides whether it is better to redistribute, reinvest or conduct some alternative means of distribution.

### **Constraints on fair trade in Brazil**

One of the bottlenecks identified by respondents is the lack of productive capacity of the groups directly affecting the supply of products. Regarding the importance given to the certification by the producers the biggest problem is the lack of recognition by Brazilian consumers. Regarding commercial issues, for the president of *Justa Trama* and the manager of *Tênis*, the main challenge is to persuade consumers to choose this type of sustainable consumption. The *Tênis* manager also believes that most consumers in Brazil do not care or are unaware of the payment flow within the supply chain.

With respect to the production side, the university researcher warned about the risk caused by how under the fair trade principle only small producers can be certified, claiming that this could halt growth in the sector. Although the international rules of fair trade certification are limited to small producers, under the Brazilian System of Fair and Solidarity Trade, producer size is not included as a specific criterion. What matters is whether the production is in accordance with the principles.

Another question indicated by the university researcher and partners of the Cooperative *Girasol* regards how fair trade products are not seen as high quality. In this sense, it is important that producers receive technical training. Otherwise, consumers might buy a product only as philanthropy, which is not the objective of fair trade. The purpose is to expand the consumer market in a sustainable manner to benefit a greater number of producers and chains.

### **Opportunities for fair trade in Brazil**

In general, the perspective for the fair trade sector is good, according to the consultant for *Parceria Social* and *Brasil Social Chic*: "It's a very new market, where the gates have been opened". The president of *Justa Trama* also believes fair trade market is growing and that the development of the BSFST will help to expand the market. However, the university researcher and the partners of the *Girasol* Cooperative do not see good prospects for the fair trade market in Brazil:

[...] the cost of certification is very high, it is a very restricted market, which depends on the demands of European consumers. It is not worth it for the small producer. He may seek other strategies for differentiation, such as not having to pay a high price for a certification, without any guarantee of a market (University Researcher).

*Faces do Brasil* aims to create a Brazilian fair trade consumer market. This would help to transform the view that “fair trade is that ‘thing’ where rich people buy from the poor”, besides the fact that it would be better for the environment. To transform fair trade purchases from a charitable act into a politicized choice, it is important that Brazilian consumers recognize the higher value of a product produced following fair and solidarity principles and criteria. Although there are studies showing the increased concern Brazilians consumers have for sustainability and Corporate Social Responsibility (AKATU, 2013), there are well-known consumer barriers all over the world (MONT; PLEPYS, 2008).

In addition to producers, retailers are willing to work with fair trade. According to the consultant for *Parceria Social* and *Brasil Social Chic*, retailers who usually buy fair trade products are the “shops that already have a brand and a clientele with a greater purchasing power, since fair trade products are a little more expensive than others made in the traditional way”.

With respect to communication, information must be transferred efficiently for consumers. *Brasil Social Chic* communicates by using a label with its logo, stating the origin and fair trade principles: “This product promotes social inclusion through job and income generation for crafts and sewing groups”.

Expanding publicity is important in order to provide consumers with greater knowledge on the subject and to explain the work that exists within the fair trade supply chain. To reach a broad range of consumers, *Brasil Social Chic* began working on press relationships as a communication strategy, to appear in newspapers and magazines. The project coordinator of *Faces do Brasil* and the president of *Justa Trama* also reported that they are planning actions to promote trading. According to Hamza and Dalmarco (2012), dissemination of information in the media is a major factor in stimulating sustainable attitudes.

To follow and understand fair trade principles is critical for all groups involved. These principles must be firmly established, or, as the manager at *Tênis* states, they must be “in the companies’ DNA”. Although the concept has grown as a public policy, the trajectory of fair trade so far in Brazil has shown the relevant strength to keep moving forward, which can make it feasible even with political change. The participation of public and private entities to develop the BSFST, and the large number of actors involved in the development of an internal market, bring a positive perspective to fair trade in Brazil (Coordinator of *Faces do Brasil*).

Table 6 presents the main ideas and opinions of the interviewees concerning the issues outlined above. There is optimism about the growth of this type of trade in Brazil, although some constraints remain to be overcome. It is necessary that fair trade become better known and that consumers know and understand the impact of its consumption and its importance in the economy.

**Table 6 – Current status, constraints and opportunities for fair trade.**

Current status	Constraints	Opportunities
Fair trade has a strong <b>social</b> purpose, inclusion and income generation (Consultant of <i>Parceria Social</i> and <i>Brasil Social Chic</i> ; Manager of <i>Tênis</i> ).	<b>Absence of knowledge</b> (Consultant of <i>Parceria Social</i> and <i>Brasil Social Chic</i> ; Project Coordinator of <i>Faces do Brasil</i> ) and <b>awareness</b> (Partners of the <i>Girasol</i> Cooperative; Manager of <i>Projeto Terra</i> ) <b>among consumers</b> .	<b>Growing market</b> (Consultant of <i>Parceria Social</i> and <i>Brasil Social Chic</i> ; Project Coordinator of <i>Faces do Brasil</i> ; President of <i>Justa Trama</i> ), the <b>Brazilian System of Fair and Solidarity Trade</b> will help expand the market (Project Coordinator of <i>Faces do Brasil</i> ; President of <i>Justa Trama</i> ).

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Current status	Constraints	Opportunities
<b>Transparency and democracy</b> in decision making (Project Coordinator of Faces do Brasil). A time of debates and discussions on the subject (President of Justa Trama).	<b>Low value of labels</b> (University Researcher; Project Coordinator of Faces do Brasil; President of Justa Trama; Manager of Tênis).	The growth of fair trade depends on the <b>maturity of the consumer market and organizations</b> (Manager of Tênis).
<b>Brazilian links to fair trade purchases made locally. High cost of certification</b> (University Researcher).	<b>Difficulties in achieving certification</b> due to <b>high cost</b> (University Researcher; Partners of the Girasol Cooperative) and <b>language</b> (University Researcher; Manager of Projeto Terra).	<b>Retailers and enterprises are great supporters</b> , make a lot of product orders and give financial support to projects (Manager of Projeto Terra).
<b>Poor access to the markets by producers</b> (Partners of the Girasol Cooperative).	<b>Low production capacity</b> (Manager of Tênis), dependence on raw material producers (President of Justa Trama).	The stimulus for fair trade should contribute to <b>improvement of production practices and raising the quality of products</b> (Partners of the Girasol Cooperative).
Brazilians buy for the <b>fashion</b> (Manager of Projeto Terra).	<b>Quality and competition with other products and labels</b> (Consultant of Parceria Social and Brasil Social Chic; University Researcher).	It may be an interesting market for <b>export</b> , although it has risks (University Researcher).

Source: The authors.

## Discussion

By analyzing fair trade in Brazil, we identified challenges and opportunities and the need for integrated actions in the following dimensions (GOMES; MENDONÇA, 2016). In economics, through the development of fair and solidarity chains for national and local commercialization; in education, to grow awareness in society and consumer market; and in politics, to ensure practices to enhance justice and social equality (GOMES; MENDONÇA, 2016).

As noted in this paper, some difficulties faced in Europe in the 1970s and 1980s in fair trade networks growth (FRIDELL, 2004) are currently happening in Brazil. Empirical data analyzed in this research shows that there is still much to be done in order to make fair trade products more valuable in the Brazilian market. Among the difficulties cited by Fridell (2004) there are the small size of the fair trade market, restricted consumer access, a public perception of fair trade products being low quality and an inadequate use of marketing tools. These barriers are still found in Brazil and should therefore be addressed.

Fair trade is mainly based on labels and certification, which create advantages (DE PELSMACKER; JANSSENS, 2007; FRIDELL, 2004; GENDRON; BISAILLON; RANCE, 2009; LOW; DAVENPORT, 2005; REED, 2009; RENARD, 2005). However, this certification process is time demanding, highly expensive and mainly required in international consumer markets. Vieira, Aguiar and Barcellos (2010) address the negative aspect of certification, traditionally made by third-party organizations that end up receiving payment from all links in the production chain. This is ratified by the

university researcher, "the certifier gains from all links in the chain ... the producer has a cost... he [the certifier] gains from the importer, ... and still earns a percentage of sales in the grocery store".

Regarding this, with the new BSFST, there is the possibility of reducing the power of third-party certification in the fair trade supply chain. In this new system, production groups can supervise principle compliance by using participative guarantee systems, without depending on an external certifier. BSFST represent a political and economic project, since it institutionalizes the potential for social transformation of fair trade, as well as strengthening commercial relations based in principles that differ from the conventional ones (GOMES; MENDONÇA, 2016).

In addition, most Brazilian consumers still do not recognize certification nor are they concerned with product origin. Brazilian experts interviewed in this research confirmed this Brazilian consumer characteristic, which corroborates the findings of Hamza and Dalmarco (2012). Thus, the low number of certified organizations in Brazil can be explained by the lack of consumer interest and knowledge about fair trade. Because many fair trade products are more expensive as a result of the production process, their contents must be disclosed for consumers to realize the difference between fair trade and traditional products and be willing to pay for this difference. According to Gendron, Bisailon and Rance (2009), market access should be expanded to increase the customer base.

According to result from interviews with Brazilian experts, most fair trade happens locally. This statement can be confirmed when compared to the survey's result, where more than 70% of the respondents assert that they commercialize their products in local markets. However, when producers commercialize in traditional markets, they are exposed to competitors from all over the world and in these cases, all fair trade orientation for fair income generation is not taken into account.

This result corroborates the studies by Loureiro and Lotade (2005), Doran (2009) and Doran and Natale (2011), since they argue that there is competition with the traditional market, and there is still much to learn about fair trade consumers. Low and Davenport (2005, 2009) highlight the importance of a proper dissemination of the message of fair trade as well as the need to include items that are produced and marketed in an ethical manner in consumers' daily shopping.

However, there are also good perspectives. The survey analyzed in this research has outlined that in the last few years public support institutions and agencies seeking to increase the market of fair trade have been created, improving fair trade organization management. This support is important to minimize legal and managerial challenges. Despite these efforts, it must be highlighted that most surveyed organizations are still young, small and facing severe difficulties in achieving economic viability and generating adequate income for members.

Public support for fair trade organizations should be maintained for a longer period of time in order to help them consolidate. It is especially important considering that many beneficiaries of Conditional Cash Transfer (CCT) programs become members of fair trade organizations to complement their income and overcome poverty. As the organizations consolidate and become economically viable, their members become less dependent on social programs.

Finally, we must highlight the social role that fair trade performs as well as its political nature, since actions should be undertaken to raise awareness of issues of global justice, development and inequality (CLARKE et al., 2007). Thus, we found that fair trade products are distinguished mainly by their origin, not only their social origin, considering the inclusion of communities in the formal economy and market, but also with respect to preserving the environment. The organizations linked to fair trade networks in Brazil confirmed this characteristic since 56.3% of them expressed environmental concern and 62.6% reported to be part of at least one social, political or racial movement. This confirms that a significant number of fair trade organizations comply with solidarity criteria and try to promote justice and popular empowerment (ZERBINI; PATEO; SÍGOLO, 2010).

Vermeulen and Ras (2006) call attention to the challenge that the fair trade organizations face in their daily routine. Challenges arise because these organizations must include in their processes procedures that meet global demand and that promote positive impacts on the chain, in both social and environmental terms. This is perhaps a major step that remains to be taken by most organizations, and fair trade can be an alternative.

## Conclusions

With this research, undertaken in two phases, first analyzing data from a survey with fair trade organizations and second with in-depth interviews with Brazilian experts, it was possible to outline the current scenario and identify constraints and opportunities for fair trade in Brazil. Despite the assertion of Fretel and Simoncelli-Bourque (2003) that fair trade aims to reduce intermediaries, in Brazil, this is not the main focus. Indeed, that is a difficult proposition because Brazilian producers continue to need support and assistance, mainly to increase access to consumer markets and to have better training in order to add greater value to products. Thus, as pointed out by Martins (2011), more intermediaries are often needed to expand the market and develop communities.

Consumers play a key role in the growth of fair trade. If consumer awareness happens, according to the new movement of ethical consumption reported by some authors (FERRAN; GRUNERT, 2007; GOIG, 2007), fair trade will be an attractive choice. On the other hand, fair trade supply chains should know their consumers better (DORAN, 2009; DORAN; NATALE, 2011; LOUREIRO; LOTADE, 2005).

Regarding the spread of fair trade, a wider dissemination of concepts, with support from society, business, universities and government, might help. The bottlenecks indicated by the university researcher for the growth of fair trade in Brazil are the high cost of certification and the restricted market, which was confirmed by the analyzed survey.

Thus, companies and consumers have an important role in the expansion and dissemination of fair trade as well as in maintaining sustainable management of the entire supply chain.

This research also raised a set of new issues to be addressed in future studies. The survey showed that a high number of Brazilian organizations linked to fair trade networks are composed by beneficiaries of social programs. Future studies could analyze if this membership reduces their dependence on social programs and helps them overcome poverty. This information may have important implications for public policies regarding social programs and the support of fair trade organizations.

Another issue refers to the performance of fair trade organizations according to the origin of resources. Researchers could analyze whether organizations created with members' own resources reach different results than those created with the financial support of NGOs or public funds. To find a good balance between public and private financing of fair trade projects could positively influence their development and consolidation. We also recognize that the survey has limitations, such as a lack of information on the certification of Brazilian fair trade organizations. Future surveys should consider this information in order to allow a better comprehension of the fair trade market in Brazil.

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